

**REPORT OF THE AUDIT OF THE
GREEN COUNTY
SHERIFF**

**For The Year Ended
December 31, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREEN COUNTY SHERIFF

**For The Year Ended
December 31, 2007**

The Auditor of Public Accounts has completed the Green County Sheriff's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$62 from the prior year, resulting in excess fees of \$315 as of December 31, 2007. Revenues increased by \$19,925 from the prior year and expenditures increased by \$19,863.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Should Require Timesheets For All Employees

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ann Blaydes Baron, Green County Judge/Executive
The Honorable Tim Stumph, Green County Sheriff
Members of the Green County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Green County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2008 on our consideration of the Green County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Ann Blaydes Baron, Green County Judge/Executive
The Honorable Tim Stumph, Green County Sheriff
Members of the Green County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Deposit Funds Intact On A Daily Basis
- The Sheriff Should Require Timesheets For All Employees

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Green County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 30, 2008

GREEN COUNTY
TIM STUMPH, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	3,840
State Fees For Services:		
Finance and Administration Cabinet	\$	2,808
House Bill 452	<u>4,874</u>	7,682
Circuit Court Clerk:		
Fines and Fees Collected		4,701
County Clerk - Delinquent Taxes		862
Commission On Taxes Collected		108,427
Add On Fees and Penalties On Taxes Collected		14,161
Fees Collected For Services:		
Auto Inspections	1,835	
Accident and Police Reports	116	
Serving Papers	17,450	
Carrying Concealed Deadly Weapon Permits	1,800	
Warrants	1,110	
Transport Patients	<u>4,389</u>	26,700
Other:		
Miscellaneous		3,187
Interest Earned		855
Borrowed Money:		
State Advancement		<u>35,000</u>
Total Revenues		205,415

The accompanying notes are an integral part of this financial statement.

GREEN COUNTY
TIM STUMPH, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2007
(Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	66,871	
KLEFPF		<u>3,092</u>	\$ 69,963

Contracted Services-

Vehicle Maintenance and Repairs			1,654
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Materials and Supplies-

Office Materials and Supplies			2,367
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Auto Expense-

Maintenance and Repairs			292
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Other Charges-

Fiscal Court Ordinance		4,060	
Postage		3,024	
Miscellaneous		<u>1,622</u>	8,706

Capital Outlay-

Vehicles			16,000
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Debt Service:

State Advancement		<u>35,000</u>	
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Total Expenditures			<u>\$ 133,982</u>
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Net Revenues			71,433
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Less: Statutory Maximum			<u>71,118</u>
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Excess Fees Due County for 2007			315
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Payments to Fiscal Court - February 19, 2008		290	
- July 30, 2008		<u>25</u>	<u>315</u>

Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 0</u></u>
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GREEN COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GREEN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Green County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Green County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Enforcement Account

The Sheriff maintains a Drug Enforcement Account. This account is funded by proceeds from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. Drug investigation funds are to be used for drug enforcement expenses of the Sheriff's office and are kept separate from the Sheriff's fee account. As of January 1, 2007, the balance was \$26,275. During 2007, the Sheriff's office received no funds from drug related arrests in the county and expended funds of \$9,000. As of December 31, 2007, the balance was \$17,275.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ann Blaydes Baron, Green County Judge/Executive
The Honorable Tim Stumph, Green County Sheriff
Members of the Green County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Green County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated July 30, 2008. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Green County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Deposit Funds Intact On A Daily Basis



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Green County Sheriff's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Require Timesheets For All Employees

This report is intended solely for the information and use of management, the Green County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 30, 2008

COMMENTS AND RECOMMENDATIONS

GREEN COUNTY
TIM STUMPH, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties over receipts and disbursements. The Sheriff posts all items to the receipts and disbursements ledgers, makes deposits, prepares and signs all checks, performs monthly bank reconciliations, and prepares the financial statements. Adequate segregation of duties would prevent the same person from having a significant roll in the receiving, processing, recording and reporting of receipts and disbursements. The Sheriff should strengthen internal controls by either segregating the duties or by implementing and documenting compensating controls. Examples of compensating controls include, but are not limited to, routinely reviewing daily checkout procedures for accuracy, reviewing bank reconciliations performed by another employee, and ensuring that financial statements are accurate. The Sheriff could document his review process by initialing reports and supporting documentation.

Sheriff's Response: No response.

The Sheriff Should Deposit Funds Intact On A Daily Basis

During the test of daily checkout sheets, the auditor noted the November 14, 2007 deposit of \$1,797 included receipts dated October 29, 2007 through November 11, 2007. Good internal controls dictate a daily reckoning of the activity for the day followed by intact daily deposits of the cash generated by that activity. To underscore this, KRS 68.210 states the State Local Finance Officer "shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials." The Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual, 109 KAR 15:020, under Handling Public Funds, states a minimum requirement of "Daily deposits intact into a federally insured banking institution." We recommend the Sheriff deposit funds intact on a daily basis.

Sheriff's Response: No response.

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Timesheets For All Employees

The Sheriff does not maintain timesheets for all employees. During the test of payroll the Sheriff informed the auditor that all employees are salaried and timesheets are not kept by the employee or the Sheriff's office. KRS 337.320 states, "Every employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee; and (c) such information as the secretary requires." The Sheriff did not comply with this statute. We recommend the Sheriff comply with KRS 337.320.

Sheriff's Response: No response.

